



# Benefits of *Homeownership*

## Homeownership provides a broad range of benefits to individual homeowners and to society as a whole:

- The children of homeowners do better in school and are more successful later in life.
- Homeownership acts as a powerful economic stimulus, benefiting the individual homeowner and the national economy.
- Homeownership benefits neighborhoods, providing economic and social capital. Homeowners are more likely to participate in local organizations, and homeownership in distressed communities raises neighborhood property values by a significant amount.
- Homeowners state that they are more satisfied with their living situation than renters.

## Homeownership Benefits *Children*

Homeownership confers a substantial benefit to children. Children of homeowners score better on academic tests, graduate at a higher rate, have fewer behavioral problems, and enjoy a better social environment. Living in an owned home is also a predictor of future success, as homeowners' children earn more than renters' children, are less likely to be on welfare, and are more likely to become homeowners themselves.

### Academic Achievement

- Children living in owned homes rather than in rented homes score better on academic achievement tests.
  - Math achievement scores of owners' children were about 9 percent higher than renters' children (Haurin, Parcel, Haurin 2000).
  - Reading achievement scores were about 7 percent higher (Haurin, Parcel, Haurin 2000).

### Educational Success

- Children of homeowners enjoy higher rates of educational success, including graduation rates and post-secondary education.
  - Children of homeowners have a 25 percent higher high school graduation rate (Homeownership Alliance of Nonprofit Downpayment Providers).
  - Homeowners' children are twice as likely to acquire some post-secondary education (Harkness and Newman 2003).
  - Children of homeowners are 116 percent more likely to graduate from college (Homeownership Alliance of Nonprofit Downpayment Providers).

### Behavioral Problems and Social Development

- Children living in owned homes experience fewer behavioral problems than children in rented homes.
  - Behavioral problems of owners' children were about 1 to 3 percent lower than renters' children (Haurin, Parcel, Haurin 2000). Behavioral problems include difficulties in interacting with other children, difficulties concentrating, having a strong temper, being withdrawn, being too dependent, and feeling worthless or inferior, among others.
  - Renters' children are 40 percent more likely to give birth as an unmarried teenager than owners' children (Harkness and Newman 2003).

## Workplace Success

- Once they begin working, children of homeowners earn more and are less likely to rely on welfare.
  - Homeowners' children earn on average a dollar more per hour than renters' children (Harkness and Newman 2003).
  - Renters' children are almost twice as likely to be idle at age 20 and to rely on welfare as an adult (Harkness and Newman 2003).

## Social Environment

- Children in owned homes experience a better social environment, both in their homes and in their neighborhood.
  - Owning rather than renting yields a 13 to 23 percent higher-quality home environment, including both the physical and emotional setting, as measured by responses of parents to survey questions and the observations of researchers (Haurin, Parcel, Haurin 2000).
  - The parental income of homeowner parents is twice the income of rental parents (Harkness and Newman 2003).
  - Renters' children are twice as likely to grow up in a single-parent household or be on welfare (Harkness and Newman 2003).
  - Renters' children experience an average neighborhood poverty rate of 24 percent, compared with 18 percent for homeowners' children (Harkness and Newman 2003).
  - The neighborhood homeownership rate of homeowners' children is substantially higher than renters' children, 72 percent compared to 56 percent (Harkness and Newman 2003).

## Future Success

- Children of homeowners are more likely to be homeowners themselves.
  - Homeowners' children are 59 percent more likely to own their own home in 10 years (Homeownership Alliance of Nonprofit Downpayment Providers).

<b>Homeowners' Children v. Renters' Children</b>	
Math Achievement Scores	9 percent higher
Reading Achievement Scores	7 percent higher
High School Graduation Rate	25 percent higher
Acquire Post-Secondary Education	100 percent higher
College Graduation Rate	116 percent higher
Be Homeowners in 10 years	59 percent higher
Quality of Home Environment	13 to 23 percent higher
Parental Income	100 percent higher
Behavioral Problems	1 to 3 percent lower
Give Birth as Unmarried Teenager	40 percent lower
Grow up in Single-Parent Household	50 percent lower
Idle at Age 20 and Rely on Welfare	50 percent lower

## Homeownership Benefits the *Economy*

Homeownership acts as a powerful economic stimulus. The benefits of homeownership work on every level of society. Homeownership provides substantial economic benefits to the individual homeowner, to the homeowner's neighborhood, and to the national economy.

### Individual Benefit

- Homeowners enjoy substantial economic benefits. Homeowners can take advantage of the government's largest housing subsidy, the mortgage interest tax deduction. Homeowners can also generate substantial equity by making mortgage payments on their home. This equity can be used to make home repairs or additions, to fund college education, or to start a new business.

### New Businesses

- Home equity is one of the largest sources of collateral for bank loans to start new businesses.
  - Homeowners are almost three times as likely to own a business as renters.

### Neighborhood Benefit

- Being in a neighborhood with a substantial number of homeowners confers a substantial benefit on landowners and residents. Because high rates of homeownership create positive social benefits, a neighborhood with high homeownership rates is a more desirable place to live.
  - A recent study measured the rise in housing prices that result from high rates of homeownership. The study found that the willingness to pay for a neighborhood with a high rate of homeownership is large. Moving from a neighborhood with zero percent homeowners to 80 percent homeowners creates a \$5,000 premium, a measurement of the social benefits of a high neighborhood homeownership rate (Coulson, Hwang, and Imai 2003).

### National Benefit

- Homeownership and the housing sector help to fuel the national economy, through direct spending on housing, taxation, and consumer spending by homeowners.
  - In 2001, the combined total for housing (including new residential construction, home repairs, brokers' fees, and housing services) was \$1.45 trillion, 14 percent of GDP.
  - Residential construction results in \$80 billion in federal, state and local taxes each year.
  - First-time homebuyers spend an average of \$5,000 when moving into a new home and \$3,700 when moving into an existing home.

## Homeownership Benefits the *Community*

Homeowners benefit the community in which they live. Homeowners are more likely to participate in local organizations, they are more likely to vote, they stay in the neighborhood for a longer period of time, and they are more satisfied with their home and their neighborhood than renters. Most Americans also value homeownership as a positive good and aspire to be homeowners.

### Civic Participation

- Homeowners have higher rates of participation in community organizations, such as clubs, neighborhood associations, and religious institutions, than renters. Homeowners also have higher rates of direct political participation and have a greater awareness of local political officials.

- o Homeowners vote at a substantially higher rate than renters, 69 percent versus 44 percent (Drier 1994).
- o Homeowners are about 10 percent more likely to know their U.S. Congress member by name (DiPasquale and Glaeser 1998).
- o Homeowners are 9 percent more likely to know the identity of their school board head (DiPasquale and Glaeser 1998).
- o Homeowners are 15 percent more likely to vote in local elections.
- o Homeowners are 6 percent more likely to work to solve local problems (DiPasquale and Glaeser 1998).
- o Homeowners are 12 percent more likely to garden (DiPasquale and Glaeser 1998).
- o Homeowners report that they attend church more regularly than renters (DiPasquale and Glaeser 1998).
- o Homeowners give significantly more money to their churches, about \$150 more per year, than renters (Rossi and Weber 1996).
- o On average, homeowners are members of .25 more non-professional organizations than renters (DiPasquale and Glaeser 1998).

<b>Homeowners v. Renters</b>	
Overall Voter Participation	25 percent higher
Ability to Identify Congress Member	10 percent higher
Ability to Identify School Board Head	9 percent higher
Voter Participation in Local Elections	15 percent higher
Work to Solve Local Problems	6 percent higher
Garden	12 percent higher
Contribute to Church	\$150 more per year
Members of Non-Profession Organizations	.25 more

## Satisfaction

- Homeowners are happier in their home and in their neighborhood than renters.
  - o According to the 1999 American Housing Survey, on average owners rated their home at an 8.0 (out of 10) compared to 7.2 for renters.
  - o Among single-family home residents, owners rated their neighborhood at 7.9 while renters rated their neighborhood at 7.3.

## Neighborhood Tenure and Stability

- Homeowners tend to move less often and stay longer in their neighborhood, promoting stability.
  - o Homeowners are far less likely to move. Homeowners remain in their home for an average of 8.2 years, while renters move every 2.1 years (Rohe, Van Zandt, and McCarthy 2001).
  - o More than 70 percent of owners have lived in their current residence for more than four years (Rohe, Van Zandt, and McCarthy 2001).
  - o More than 70 percent of renters have lived in their current residence for less than four years (Rohe, Van Zandt, and McCarthy 2001).

## The Importance of Homeownership

- Recent national surveys by Fannie Mae found that most Americans place a high value on homeownership.
  - o 86 percent of all respondents reported that people are better off owning a home rather than renting (Rohe, Van Zandt, and McCarthy 2001).

- o 65 percent of renters surveyed reported that they rent because they cannot afford to own their own home. Only 27 percent said that they choose to rent (Fannie Mae 1998).
- o 60 percent of renters rank owning a home as a very important priority to the number one priority in their lives. Less than a quarter of renters report that it is not a priority at all (Fannie Mae 1998).

## Homeownership Benefits *New York City's Neighborhoods*

A recent study of new homeownership construction in New York's most distressed neighborhoods demonstrates that the construction of new homeownership units results in an increase of property values and home prices throughout the neighborhood. The 2001 study, undertaken by Ellen, Schill, Susin, and Schwartz and sponsored by Fannie Mae, analyzed more than 234,000 homes sales, focusing on New York City's two largest homeownership programs, the Nehemiah Plan and the New York City Housing Partnership. These organizations function in the same manner as Habitat for Humanity – New York City. They sponsor the construction of affordable, owner-occupied housing in distressed urban neighborhoods in New York City, replacing blighted, vacant land or property that they receive from City Department of Housing Preservation and Development.

This type of construction confers substantial benefit on the neighborhood:

- Homeowners typically earn higher incomes, raising the socioeconomic status of the neighborhood.
- Homeowners typically maintain their property better than renters. They are also involved in more local organizations and stay in their homes for a longer period of time.
- The conversion of vacant and derelict land to new housing changes neighborhood expectations and appearance. This can result in better property maintenance among existing neighborhood residents.
- The conversion of vacant land to housing produces an increase in the number of neighborhood residents. Population growth in a neighborhood boosts property values and spurs new commercial activity and economic growth.

### *The Results*

- The Ellen, Schill, Susin, and Schwartz study demonstrated that there is a substantial benefit to creating homeownership units in distressed neighborhoods.
  - o The construction occurred in a depressed area. Prior to construction, housing prices in the immediate vicinity of the future housing site (500 feet, or 1 to 2 blocks) were substantially lower than housing prices in the surrounding neighborhood (measured by zip code).
    - One year before construction, there was a substantial gap of 8.8 percent between the sales price of a housing unit in the immediate vicinity of the future housing site (within 500 feet, or 1 to 2 blocks) and the price of a comparable housing unit sold in the same year in the same zip code.
  - o The construction of the new homeownership units produced a rise in property values in the immediate vicinity, reducing this gap.
    - After completion of the homeownership unit, housing prices of properties within 500 feet of the new unit rose from 8.8 percent lower than the surrounding zip code to just 1.6 percent lower – a difference of 7.2 percentage points.
    - Measured another way, the gap shrunk from 13.3 percent to just 1.9 percent – a difference of 11.4 percentage points.
  - o This rise in home prices held true for larger areas around the new homeownership unit, as well.
    - For a 1,000 foot ring (1 to 4 blocks) the gap shrunk by 6.3 percentage points.
    - For 2,000 foot ring (3 to 8 blocks) the gap shrunk by 3.5 percentage points.